

EXHIBIT 432

L-5
AB
12/98

Adams Golf, Inc.
Accounts Receivable Testwork
12/31/98

Purpose:

To document the procedures performed on accounts receivable as of 11/30/98.

Procedures:

- To test the existence and accuracy of A/R, KPMG obtained the 11/30/98 Aged Receivables Report from Dallas Rainwater, Controller, and judgementally selected a sample of 20 customer balances to confirm. KPMG selected 16 customer balances based on key item criteria (large dollar balances) and selected 4 customer balances randomly. See confirms sent at 1-30 and the results of the confirmation process at 1-19.
- To test the accuracy of the A/R aging, ~~KPMG~~ ^{later than 10/00} KPMG randomly selected an additional 7 customers (based on large dollar balances) from the Aged Receivables Report. KPMG obtained a detail listing of the invoices that make up the customer balances and selected one invoice from each customer's detail listing. KPMG chose high dollar invoices from all aging categories. The following invoices were selected:

<u>Invoice #</u>	<u>Customer</u>	<u>Due Date</u>	<u>Amount</u>
10092600	Bavarian Village	10/18/98	\$32,339
10086327	Carls Golfland	12/26/98	77,815
10093040	Frys Sports	12/20/98	93,662
10097130	Nevada Bob's	01/05/99	2,383
10106754	Polar Golf	12/20/98	9,058
10083514	Special Tee Golf	10/04/98	8,764
10080498	Wheat Road Golf	09/12/98	8,530

- KPMG tested the aging categories by calculating the days outstanding from the invoice due date through 11/30/98. KPMG then reviewed each customer's detailed aging report noting that the invoice amount was in the appropriate aging category. No exceptions were noted.
- KPMG agreed the A/R balance per the aging to the GL A/R balance w/dt 12/31/98. ✓

Conclusion

Based on the procedures performed above, it appears that A/R is properly stated, and the A/R aging system is working properly. KPMG will rely on the results of this testwork at 12/31/98. ✓

GRACE

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

.....
IN RE: ADAMS GOLF, INC. : CIVIL ACTION NO.
SECURITIES LITIGATION : 99-371-KAJ
.....

ORAL TELEPHONIC DEPOSITION OF

H. STEPHEN GRACE, JR., Ph.D.

AUGUST 7, 2006

.....
ORAL TELEPHONIC DEPOSITION OF H. STEPHEN GRACE,
JR., Ph.D., produced as a witness at the instance of
the Plaintiffs, and duly sworn, was taken in the
above-styled and numbered cause on Monday, August 7,
2006, from 10:08 a.m. to 4:42 p.m., via telephone
before Mary C. Dopico, Certified Shorthand Reporter
No. 463 and Notary Public in and for the State of
Texas, reported by machine shorthand at the offices
of Akin Gump Strauss Hauer & Feld, LLP, 1111
Louisiana Street, 42nd Floor, Houston, Texas,
pursuant to Notice and the Federal Rules of Civil
Procedure and the provisions stated on the record or
attached hereto.

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<p>1 market's there. It's something you work to control, 10:51:56</p> <p>2 but it's always going to be there. 10:51:58</p> <p>3 You realize that the manufacturers 10:51:58</p> <p>4 incentivize the pros to transship. Do you realize 10:52:04</p> <p>5 that? 10:52:06</p> <p>6 Q. Please tell me. 10:52:06</p> <p>7 A. Yeah. Yeah. The manufacturers, many of 10:52:08</p> <p>8 them, and they are listed in the PGA magazine, that 10:52:12</p> <p>9 support the PGA pros by -- When you buy from them, 10:52:16</p> <p>10 depending upon the quantity you buy, they contribute 10:52:20</p> <p>11 to your individual retirement plan. 10:52:22</p> <p>12 So if you talk to PGA pros and are 10:52:26</p> <p>13 familiar with that, many of them -- You have the 10:52:28</p> <p>14 clubs and you're on one side of Florida, I'm your 10:52:30</p> <p>15 friend, I don't have any. You pick up -- You get a 10:52:32</p> <p>16 few more clubs than you need. You ship them to me so 10:52:34</p> <p>17 I can sell them out of my pro shop. 10:52:36</p> <p>18 That's been something that's 10:52:38</p> <p>19 characterized golf for a long time. So in fact 10:52:42</p> <p>20 incentivized by the manufacturers. And the last list 10:52:44</p> <p>21 I looked at, Adams is not one of those. But so 10:52:48</p> <p>22 what? It's this process has been there for a long 10:52:52</p> <p>23 time. 10:52:52</p> <p>24 Just like the Costco process. They 10:52:54</p>	<p>1 looking for the new product. 10:54:04</p> <p>2 Q. I see. So then there is less -- If it's 10:54:06</p> <p>3 not a hot product, there's less gray marketing going 10:54:10</p> <p>4 on; is that it? 10:54:10</p> <p>5 A. People want goods. Basically, I think we 10:54:12</p> <p>6 all know the degree that they can sell. You know, 10:54:16</p> <p>7 they don't want to buy something and hold it in 10:54:18</p> <p>8 inventory. So they are looking for those products 10:54:20</p> <p>9 that are hot which they don't have. 10:54:22</p> <p>10 Q. Okay. Now, in your last two answers, the 10:54:24</p> <p>11 basis of that information was your experience as a 10:54:26</p> <p>12 golfer over the last 60 years or something else? 10:54:30</p> <p>13 A. No. I think it's more than that. I mean, 10:54:32</p> <p>14 I think -- this is -- this is why -- this is why 10:54:34</p> <p>15 neither Lehman nor Nations/Montgomery Securities then 10:54:38</p> <p>16 are concerned about, in our mind. This is why the 10:54:42</p> <p>17 directors knew it was there. Barney Adams knew it 10:54:46</p> <p>18 was there. But it was not significant. 10:54:48</p> <p>19 Q. Right. But what I'm asking you, sir, is 10:54:50</p> <p>20 what's the basis of your testimony over the last few 10:54:54</p> <p>21 minutes about the gray market? How do you have the 10:54:56</p> <p>22 fund of knowledge that allows you to opine on that 10:55:00</p> <p>23 question? 10:55:02</p> <p>24 A. Well, remember -- remember that what we're 10:55:06</p>
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<p>1 clearly had a chain set up by which they got the 10:52:58</p> <p>2 Callaways, the Pings and the Taylor Mades. So all 10:53:02</p> <p>3 they had to do was call in those people for Adams. I 10:53:06</p> <p>4 mean, I don't know precisely what happened, but it's 10:53:08</p> <p>5 not a big stretch. 10:53:10</p> <p>6 But when a product's life comes to an 10:53:12</p> <p>7 end and the thing's over, the new product comes out. 10:53:16</p> <p>8 So there are ways -- there are ways that you can -- 10:53:18</p> <p>9 excuse me, that you can control this problem, and so 10:53:20</p> <p>10 control is -- it is something you continually deal 10:53:24</p> <p>11 with in different forms over time. 10:53:26</p> <p>12 But that's -- All that's to the point 10:53:28</p> <p>13 of your question about why I don't believe it's 10:53:30</p> <p>14 represented material omission. 10:53:36</p> <p>15 Q. Uh-huh. Your last answer was quite 10:53:38</p> <p>16 interesting. One of the things you said was when the 10:53:44</p> <p>17 product cycle is complete -- tell me if I got this 10:53:48</p> <p>18 wrong -- the problem -- problem is over? Did I hear 10:53:50</p> <p>19 that correctly? When the product isn't hot any more, 10:53:52</p> <p>20 then the gray marketing issue goes way? 10:53:56</p> <p>21 A. Or you come out with a new product. 10:53:58</p> <p>22 Q. I see. 10:53:58</p> <p>23 A. Then there is less demand. Those people 10:54:00</p> <p>24 are stuck with an old product, but the world's 10:54:02</p>	<p>1 looking at here is a document -- People other than 10:55:12</p> <p>2 us wrote the document, okay, and they chose to leave 10:55:14</p> <p>3 that out. All right? 10:55:16</p> <p>4 Q. By "the document," forgive me, you mean the 10:55:20</p> <p>5 Registration Statement? 10:55:20</p> <p>6 A. The Registration Statement, yes. 10:55:24</p> <p>7 Q. Continue, please. 10:55:26</p> <p>8 A. And so we're evaluating the fact that it's 10:55:28</p> <p>9 been left out, okay, and why it was being left out. 10:55:30</p> <p>10 Okay? Part of that, when we look back at how these 10:55:34</p> <p>11 people arrived at that decision, can build on our own 10:55:38</p> <p>12 experience; but it's not building exclusively on our 10:55:42</p> <p>13 own experience. It's building on the players that 10:55:44</p> <p>14 was there and the processes they undertook, the 10:55:48</p> <p>15 knowledge that they had as they moved toward this 10:55:50</p> <p>16 decision not to include it. 10:55:52</p> <p>17 Q. I see. Have -- Now, you've been working 10:55:54</p> <p>18 on this assignment for several months apparently; 10:55:56</p> <p>19 right? 10:55:56</p> <p>20 A. I guess about four months. 10:55:58</p> <p>21 Q. Okay. And I notice that several other 10:56:00</p> <p>22 people from your firm have worked with you on this 10:56:04</p> <p>23 and -- 10:56:06</p> <p>24 A. Yes. 10:56:06</p>

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<p>1 is that we were named in the documents presented to 12:37:28</p> <p>2 the Court.</p> <p>3 Q. Sure. 12:37:28</p> <p>4 A. It settled before we ever got to, you know, 12:37:30</p> <p>5 deposition. 12:37:30</p> <p>6 Q. And in all of those cases Akin Gump hired 12:37:34</p> <p>7 you. 12:37:34</p> <p>8 A. Correct. Yes. 12:37:36</p> <p>9 Q. Okay. Now, in this case, I'm back to page 12:37:38</p> <p>10 5, the third paragraph, you say that you've been 12:37:52</p> <p>11 retained here "to provide an opinion regarding the 12:37:54</p> <p>12 nature of the roles, responsibilities and actions 12:37:56</p> <p>13 taken or omitted by the individual defendants." 12:38:00</p> <p>14 What specifically were you asked to 12:38:10</p> <p>15 do? Now, I'm not asking what you did, obviously, 12:38:16</p> <p>16 because you have a nice long report here. But I'm 12:38:18</p> <p>17 asking what were you asked to do at the beginning? 12:38:22</p> <p>18 A. Well, when you have the discussions 12:38:24</p> <p>19 initially, as you would know, oftentimes there is 12:38:26</p> <p>20 some generalized discussions; and you begin to come 12:38:30</p> <p>21 in on what the customer, the client, yourselves -- be 12:38:34</p> <p>22 it you or Paul -- want us to do. We talk about 12:38:36</p> <p>23 things, what our background, where it might be 12:38:40</p> <p>24 helpful, who else you're using on the team and so 12:38:42</p>	<p>1 they seem to be focused not just on whether -- on the 12:39:46</p> <p>2 issue of whether the individual defendants exercise 12:39:48</p> <p>3 due diligence in investigating the disclosures 12:39:54</p> <p>4 required for the Registration Statement; but you also 12:39:58</p> <p>5 go on it at considerable length with regard to what 12:40:02</p> <p>6 the responses to the gray market situation were at 12:40:08</p> <p>7 Adams Golf before the IPO; and I'm wondering why you 12:40:12</p> <p>8 thought it appropriate to get into the second issue 12:40:14</p> <p>9 in view of the fact, as you well know, this is a '33 12:40:18</p> <p>10 Act case. 12:40:20</p> <p>11 A. The -- Because of the linkage to the due 12:40:24</p> <p>12 diligence of the process, what the two parties are 12:40:28</p> <p>13 saying -- defendants are saying we did it okay and 12:40:30</p> <p>14 the plaintiffs are saying you didn't do it okay -- 12:40:32</p> <p>15 centered around this gray market issue. 12:40:36</p> <p>16 So we're going to look at gray market, 12:40:38</p> <p>17 look at what was going on out there with regard to 12:40:40</p> <p>18 gray market, much to what I said earlier. Was there 12:40:44</p> <p>19 something out there either then or even later that 12:40:48</p> <p>20 would have been indicative that the process did not 12:40:50</p> <p>21 work as you might hope for. That's how the gray 12:40:52</p> <p>22 market gets wrapped into it here. 12:40:56</p> <p>23 Q. Okay. 12:40:56</p> <p>24 A. I think that's a fair -- I mean, it may 12:40:58</p>
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<p>1 forth.</p> <p>2 And as I sit here right now and try to 12:38:44</p> <p>3 boil it down, I think it comes down to number one was 12:38:48</p> <p>4 the governance process, the management and governance 12:38:52</p> <p>5 of this was this process that led to the IPO. Was it 12:38:56</p> <p>6 conducted properly? Was it thorough? Timely? 12:38:58</p> <p>7 Diligent? That type of thing like that. Inside that 12:39:00</p> <p>8 we had to address other issues. 12:39:02</p> <p>9 Q. Now, I'm intrigued by the distinction 12:39:04</p> <p>10 between a due diligence opinion and an opinion 12:39:14</p> <p>11 relating to what actions were taken in response to 12:39:16</p> <p>12 indications of gray marketing. And it seems here 12:39:20</p> <p>13 that you provided both. And I'm wondering what the 12:39:22</p> <p>14 second part of that has to do with the due diligence 12:39:26</p> <p>15 opinion. 12:39:28</p> <p>16 A. Well -- 12:39:28</p> <p>17 MR. BESSETTE: That's vague to me, so 12:39:30</p> <p>18 I'm not sure if you understand it. 12:39:32</p> <p>19 BY MR. COLLINS:</p> <p>20 Q. I think -- 12:39:32</p> <p>21 MR. BESSETTE: Go ahead. 12:39:34</p> <p>22 Q. -- many lawyers have asked better questions 12:39:36</p> <p>23 than that one was. Let me try again. 12:39:40</p> <p>24 I'm struck by your opinions here that 12:39:42</p>	<p>1 be --</p> <p>2 Q. No, no, no. 12:40:58</p> <p>3 A. I think that's a fair statement as I sit 12:41:04</p> <p>4 here. 12:41:04</p> <p>5 Q. No, no. That's helpful. But how does it 12:41:04</p> <p>6 relate to the issues in this case, as you understand 12:41:08</p> <p>7 them, as to how Adams Golf responded to gray 12:41:16</p> <p>8 marketing? How does that relate to this case? 12:41:18</p> <p>9 A. I think I would say it this way. If we 12:41:24</p> <p>10 looked at the process, the governance management 12:41:26</p> <p>11 process and said they did everything we think they 12:41:30</p> <p>12 should have, and just -- We found that. All right? 12:41:32</p> <p>13 There are two other situ -- there are two other 12:41:36</p> <p>14 outcomes that would be interesting. One is a problem 12:41:40</p> <p>15 and the question is: Did they do everything they 12:41:42</p> <p>16 should have? And we said: We think the process was 12:41:44</p> <p>17 fine; but by the way, they either missed it or they 12:41:48</p> <p>18 got it right. You know, because if they missed it, 12:41:50</p> <p>19 if they missed it, that's one sort of problem. All 12:41:54</p> <p>20 right. You've got a great process, but you missed 12:41:56</p> <p>21 the situation. 12:41:56</p> <p>22 If you had a great process but you 12:41:58</p> <p>23 didn't miss the situation, then to us there is no 12:42:02</p> <p>24 business liability issues there in terms of what we 12:42:06</p>

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1 examined. 12:42:06
 2 Q. All right. That's helpful. And I 12:42:08
 3 apologize. I'm not quite getting it yet. 12:42:10
 4 Is it fair to characterize your work 12:42:14
 5 in this case as being divisible in two parts? One is 12:42:18
 6 looking at how Adams Golf responded to the gray 12:42:24
 7 market problem; and the second is whether the failure 12:42:28
 8 to disclose gray marketing as a risk was material. 12:42:32
 9 Is that -- Is that a fair characterization of what 12:42:36
 10 you were looking at? 12:42:36
 11 MR. BESSETTE: That misstates -- 12:42:36
 12 BY MR. COLLINS:
 13 Q. Okay. 12:42:38
 14 A. Yeah. 12:42:38
 15 Q. Let me try it again, because I'm not trying 12:42:42
 16 to put words in your mouth. I am -- Let me ask it 12:42:44
 17 in a hypothetical way. 12:42:46
 18 As I understand it, one of the things 12:42:48
 19 you looked at was how -- how Adams Golf responded to 12:42:54
 20 the gray market problem pre-IPO. Am I right so far? 12:42:58
 21 A. In the context of the -- of the governance 12:43:02
 22 process, of the IPO preparation process, yes. 12:43:06
 23 Q. Okay. That's fine. That's fine. 12:43:08
 24 A. And then I looked at -- we looked at the 12:43:10

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1 gray market. I want to be careful about -- I may 12:43:14
 2 not have heard that question as you said it exactly. 12:43:16
 3 I wandered off slightly. 12:43:18
 4 Q. Well, my questions often wander off. 12:43:22
 5 A. No. I said I wandered off. I didn't say 12:43:26
 6 you wandered off, just to clarify. 12:43:28
 7 Q. I'll ask you a hypothetical. Let's say 12:43:38
 8 Adams Golf did not -- You believe Adams Golf 12:43:40
 9 responded properly to what I believe you 12:43:42
 10 characterized as the gray market problem pre-IPO; is 12:43:46
 11 that right?
 12 A. We think it was -- We think it was 12:43:48
 13 appropriate -- It was understandable to us as to why 12:43:52
 14 it was not included in the IPO documents. 12:43:56
 15 Q. And that's where I may -- Perhaps it's my 12:43:58
 16 confusing, Dr. Grace. What I am trying to do is to 12:44:00
 17 step back here, because it looks to me that you did 12:44:04
 18 two different things. And one of the things that you 12:44:06
 19 did was to analyze -- Apart from the IPO. I 12:44:08
 20 understand there was an IPO coming. But it looks to 12:44:10
 21 me like part of your opinion here -- goes on page 12:44:14
 22 after page -- is whether there was an IPO coming or 12:44:16
 23 not, Adams Golf did certain things in response to the 12:44:20
 24 gray market. 12:44:20

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1 And it seems to me that your opinion 12:44:24
 2 contains in a number of different spots your 12:44:28
 3 conclusion that Adams Golf responded appropriately -- 12:44:32
 4 not to the disclosure issue, you put it in the -- in 12:44:38
 5 the Registration Statement -- but instead it seems to 12:44:40
 6 me that you're actually going out and opining that 12:44:44
 7 Adams Golf responded appropriately to the business 12:44:46
 8 issue of: You've got gray market, a gray market, a 12:44:50
 9 gray market issue. Now, how are you going to respond 12:44:54
 10 to it? 12:44:54
 11 So let me try to translate that into 12:44:56
 12 English. Do I understand your opinion in this case 12:45:00
 13 to include, separate and apart from the IPO, a 12:45:06
 14 conclusion that from a business standpoint the 12:45:08
 15 individual defendants discharged their business 12:45:12
 16 responsibilities to respond and -- to respond to and 12:45:18
 17 address the gray market problem pre-IPO? 12:45:22
 18 MR. BESSETTE: I need to just object 12:45:26
 19 that it's vague and ambiguous because I can't even 12:45:26
 20 tell which -- what -- what to object to. 12:45:30
 21 BY MR. COLLINS:
 22 Q. You know what then, let me try again. 12:45:32
 23 MR. BESSETTE: All right. 12:45:36
 24 BY MR. COLLINS:

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1 Q. You -- I think you said there was a gray 12:45:40
 2 market problem pre-IPO. I think it's your opinion it 12:45:42
 3 was not material. Are we right so far? 12:45:44
 4 A. I think that's fair. I think -- 12:45:46
 5 Q. Okay. That's fine. 12:45:46
 6 A. I think -- I don't think I was chose -- 12:45:48
 7 MR. BESSETTE: That's fine. Yeah. 12:45:50
 8 A. I wasn't asked to be a materiality expert 12:45:52
 9 on the gray market issue. I want to make sure that 12:45:56
 10 that's clear. 12:45:56
 11 BY MR. COLLINS:
 12 Q. Okay.
 13 A. But the fact that it was not mentioned did 12:45:58
 14 not seem to be a wrong step to us. 12:46:00
 15 Q. Okay. 12:46:00
 16 A. Yeah. 12:46:00
 17 Q. But I'm trying to divide the two parts and 12:46:04
 18 I'm not being very eloquent. 12:46:06
 19 You did work in this case on whether 12:46:08
 20 pre-IPO Adams Golf and the individual defendants 12:46:16
 21 responded appropriately to the gray market problem. 12:46:18
 22 Is that fair? 12:46:20
 23 MR. BESSETTE: Okay. 12:46:22
 24 A. I think that we did work on examining the 12:46:24

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1 entire -- you know, trying to get a sense of 12:46:28
 2 management, the board and the professionals, on how 12:46:30
 3 they worked together or didn't work together, moving 12:46:32
 4 towards this IPO. 12:46:34
 5 BY MR. COLLINS:
 6 Q. Ah, okay. 12:46:34
 7 MR. BESSETTE: A reasonable 12:46:36
 8 investigation. 12:46:36
 9 MR. COLLINS: Yes. 12:46:38
 10 MR. BESSETTE: That's where you guys 12:46:38
 11 are getting hung up. 12:46:40
 12 BY MR. COLLINS:
 13 Q. And I think it may be just my confusion. 12:46:46
 14 Because hypothetically it would seem to me that you 12:46:50
 15 could have come to the conclusion that the individual 12:46:52
 16 defendants didn't discharge properly their duties to 12:46:56
 17 the shareholders to investigate and follow-up on the 12:47:00
 18 gray market problem. But nonetheless, you could have 12:47:04
 19 concluded the gray market problem wasn't something 12:47:06
 20 that should have been disclosed as a risk in this 12:47:08
 21 Prospectus. Is that -- 12:47:10
 22 A. That -- 12:47:12
 23 Q. Is that -- 12:47:12
 24 A. You could have situations like that. I 12:47:14

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1 mean, you could have situations, you know, where 12:47:16
 2 they're sort of what we would call liability -- and 12:47:18
 3 whether that had damages to it or not. You know, 12:47:22
 4 some document doesn't get delivered at a -- at a 12:47:26
 5 financing closing; and, okay, somebody's got 12:47:28
 6 liability for not delivering that document. But was 12:47:30
 7 it consequential to losses -- 12:47:34
 8 Q. Right. 12:47:34
 9 A. -- you know, we all know that, those 12:47:36
 10 arguments, yeah. 12:47:38
 11 Q. Right. Thank you. That is helpful. 12:47:38
 12 Because what I am getting at is I don't know why you 12:47:42
 13 stuck your neck out and why you thought it was 12:47:44
 14 appropriate or necessary in this case not only to 12:47:46
 15 look at whether the risk should have been disclosed 12:47:50
 16 or the potential risk should have been disclosed in 12:47:52
 17 the Registration Statement, but you also provided a 12:47:58
 18 good bit of work on an opinion that seems to say that 12:48:04
 19 Adams Golf responded appropriately from a corporate 12:48:08
 20 standpoint to a problem. And I don't understand why 12:48:12
 21 those two are linked. 12:48:14
 22 A. What's the question? 12:48:16
 23 Q. Thank you. 12:48:16
 24 MR. BESSETTE: Why -- Oh, okay. 12:48:18

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1 BY MR. COLLINS:
 2 Q. Why are they linked? 12:48:20
 3 A. Well, I think as I said earlier, you come 12:48:22
 4 in here and we're looking at the: Was a reasonable 12:48:28
 5 process followed, reasonable investigation, whatever 12:48:30
 6 you would want to call it -- refer to it. 12:48:34
 7 And in the course of that, the 12:48:36
 8 reasonableness, the thoroughness, diligence of the 12:48:40
 9 process, seemed to center on the two parties' 12:48:44
 10 disagreement about this one item. All right? 12:48:46
 11 And so we look at the process. Part 12:48:50
 12 of it is we look at that item and how these 12:48:54
 13 parties -- again whether we're on the plaintiffs' 12:48:56
 14 side or defendant's side -- attempted to or appeared 12:49:00
 15 to have addressed this along the way that they 12:49:02
 16 made -- along their decision-making process or 12:49:06
 17 trail. 12:49:08
 18 Q. Uh-huh. 12:49:10
 19 A. And so, you know, that's where we -- if -- 12:49:12
 20 if we had found something differently, we'd have to 12:49:18
 21 say something differently. And we -- In the course 12:49:20
 22 of that work and the evaluation of the process, I 12:49:26
 23 think my feeling was it was most useful to do it 12:49:30
 24 within a time frame pre-IPO, post-IPO that swung 12:49:36

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1 around the gray market. 12:49:38
 2 Were there issues in the gray market 12:49:40
 3 that were not being properly addressed in this 12:49:44
 4 process that management, the board, and the 12:49:46
 5 professionals had in place? And that's where we keep 12:49:48
 6 looking at that other area. 12:49:50
 7 But there -- It connects -- It 12:49:52
 8 connects to a number of areas. In other words, you 12:49:54
 9 had to -- You know, you're making a determination 12:49:56
 10 about: What type of person is Barney Adams? What's 12:50:00
 11 his style? What's the relationship of these 12:50:02
 12 directors early-on before this thing goes public? 12:50:06
 13 What's their relationship with what they perceived to 12:50:08
 14 be their distribution base, their customer base? How 12:50:10
 15 did they -- You know, you're attempting to assess 12:50:14
 16 how they looked at all this, because they all come 12:50:16
 17 back, they all come up -- most of them come up 12:50:20
 18 centered, at the end of the day, about: Did this 12:50:22
 19 impact gray market? Does this mean something should 12:50:24
 20 have been said or not been said about gray market? 12:50:28
 21 Q. Okay. 12:50:30
 22 MR. BESSETTE: Lunch whenever you're 12:50:34
 23 thinking about it, because I'm getting hungry. 12:50:36
 24 A. Oh, it's five to 1:00. Time has gone by. 12:50:38

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<p>1 BY MR. COLLINS:</p> <p>2 Q. Heavens. We're having a good time. 12:50:40</p> <p>3 A. Indeed. 12:50:40</p> <p>4 Q. Just a couple more if I may -- 12:50:44</p> <p>5 MR. BESSETTE: Sure. 12:50:48</p> <p>6 BY MR. COLLINS:</p> <p>7 Q. -- because it is time for lunch.</p> <p>8 Look, if you would, at page 5, 12:50:52</p> <p>9 paragraph 5. 12:50:52</p> <p>10 A. Yes. 12:50:52</p> <p>11 Q. Paragraph starting out, "As is set out in 12:50:56</p> <p>12 detail..." 12:50:56</p> <p>13 A. Yes. 12:50:58</p> <p>14 Q. This paragraph goes on to say "my 12:51:00</p> <p>15 conclusion is that the company, its officers and its 12:51:02</p> <p>16 directors satisfactorily addressed and fulfilled 12:51:04</p> <p>17 their responsibilities and conducted a reasonable 12:51:08</p> <p>18 investigation...immediately preceding and following 12:51:16</p> <p>19 the initial public offering..." 12:51:18</p> <p>20 That's fine. When you talk about 12:51:22</p> <p>21 "their responsibilities" in this sentence, are you 12:51:26</p> <p>22 referring to their responsibilities to investors in 12:51:30</p> <p>23 the IPO or are you talking about some other set of 12:51:34</p> <p>24 responsibilities? 12:51:34</p>	<p>1 estate process as they went from one situation to 12:52:52</p> <p>2 another. 12:52:52</p> <p>3 We were looking -- What we saw in 12:52:54</p> <p>4 this evaluation of this -- of this -- of the workings 12:52:58</p> <p>5 of the company as it moved toward the IPO we saw 12:53:04</p> <p>6 processes that we thought were defective. 12:53:08</p> <p>7 Q. So you mean processes in connection with 12:53:10</p> <p>8 the IPO. 12:53:12</p> <p>9 A. Primarily, that was true; although, if 12:53:14</p> <p>10 there was something else that came to our attention, 12:53:16</p> <p>11 it could -- You know, for example, it also came to 12:53:18</p> <p>12 our attention what they -- how they perceived their 12:53:20</p> <p>13 relationship with their -- with their distributors 12:53:22</p> <p>14 and their retailers. That was something that came -- 12:53:24</p> <p>15 somewhere as any relationships they had with 12:53:26</p> <p>16 component suppliers, we had no idea of what was going 12:53:30</p> <p>17 on there. 12:53:32</p> <p>18 Q. Okay. And what still confuses me is what 12:53:36</p> <p>19 their -- the individual defendants' -- relationship 12:53:42</p> <p>20 with distributors or authorized retailers has to do 12:53:44</p> <p>21 with your opinion. That's -- That's what I don't 12:53:48</p> <p>22 understand. 12:53:48</p> <p>23 A. Well, it does, because it comes into -- 12:53:50</p> <p>24 again, it comes into an issue of the gray market and 12:53:56</p>
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<p>1 A. I'm talking about the process that they had 12:51:38</p> <p>2 in place. I mean, you were going toward an IPO. The 12:51:42</p> <p>3 IPO might or might not happen. We -- You know, we 12:51:46</p> <p>4 know that can be the situation. 12:51:48</p> <p>5 So what was the magic process they had 12:51:52</p> <p>6 in place? How did they interrelate? Were they 12:51:54</p> <p>7 transparent? Were documents moving back and forth 12:51:58</p> <p>8 between management and the board that they had? All 12:52:00</p> <p>9 these type -- these types of things is what I'm 12:52:02</p> <p>10 addressing. 12:52:04</p> <p>11 Q. Okay. And then this paragraph goes on and 12:52:14</p> <p>12 you say that "The officers and directors exercised 12:52:18</p> <p>13 proper due diligence," and you continue "followed 12:52:22</p> <p>14 customary and normal business practices in addressing 12:52:26</p> <p>15 and fulfilling their responsibilities..." The 12:52:30</p> <p>16 sentence continues. 12:52:32</p> <p>17 A. Uh-huh. 12:52:32</p> <p>18 Q. In this sentence when you referred to 12:52:34</p> <p>19 "their responsibilities," does that mean in 12:52:38</p> <p>20 connection with the IPO or does that mean a broader 12:52:40</p> <p>21 set of responsibilities? 12:52:40</p> <p>22 A. In the overall sense, as we were examining, 12:52:42</p> <p>23 we did not look, for example, at the quality of their 12:52:46</p> <p>24 assembly process, such as an example, or their real 12:52:48</p>	<p>1 the -- and the relevancy of this gray market and how, 12:54:00</p> <p>2 you know, whether our people -- albeit they may have 12:54:04</p> <p>3 been trying to be doing the right thing -- missed it 12:54:08</p> <p>4 as far as the gray market goes or didn't miss it. 12:54:10</p> <p>5 And certainly there's things that are cited about 12:54:14</p> <p>6 certain memos and other things like that that are 12:54:16</p> <p>7 spoken to that the plaintiffs see one way, the 12:54:18</p> <p>8 defendants see other way. 12:54:20</p> <p>9 Q. Okay. And then the sentence goes on, "and 12:54:26</p> <p>10 after their reasonable investigation, had reasonable 12:54:28</p> <p>11 grounds to believe and did believe at the time the 12:54:34</p> <p>12 Registration Statement became effective that it did 12:54:36</p> <p>13 not contain any material misstatements or omit any 12:54:40</p> <p>14 material facts." 12:54:40</p> <p>15 Now, are you honestly opining on what 12:54:44</p> <p>16 the individual defendants did believe? 12:54:46</p> <p>17 A. I think that would come from the -- their 12:54:48</p> <p>18 depositions; in other words, as they've all said that 12:54:52</p> <p>19 they believed then and believe now. 12:54:54</p> <p>20 I -- I wasn't inside of them as 12:54:56</p> <p>21 you're -- as I think you're leading to, back at the 12:54:58</p> <p>22 time that they signed this at the end of June, first 12:55:00</p> <p>23 of July, so -- 12:55:02</p> <p>24 Q. You administered no lie detector tests. 12:55:06</p>

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<p>1 A. At that time nor later. 12:55:06</p> <p>2 Q. Okay. So I gather when you opine as to 12:55:10</p> <p>3 what the individual defendants did believe, you don't 12:55:12</p> <p>4 really know what they did believe at the time they 12:55:16</p> <p>5 signed the Registration Statement. You are not so 12:55:18</p> <p>6 opining. 12:55:20</p> <p>7 A. No. I'm not opining about that. 12:55:22</p> <p>8 Q. Okay. Let us break for lunch and thank 12:55:24</p> <p>9 you. 12:55:24</p> <p>10 (Off the record from 12:55 - 1:40.) 13:40:26</p> <p>11 BY MR. COLLINS:</p> <p>12 Q. Okay. Let's resume. Let me go briefly 13:40:28</p> <p>13 back to something I touched upon this morning. In 13:40:32</p> <p>14 those situations where you -- you and your firm -- 13:40:34</p> <p>15 are retained to analyze loss causation or the lack of 13:40:42</p> <p>16 it, can you tell me in general what your method of 13:40:44</p> <p>17 analysis is? How do you go about doing it? 13:40:48</p> <p>18 A. I think that's -- that's a good question. 13:40:50</p> <p>19 I think in each case the best way I 13:40:54</p> <p>20 can explain it is we try to get to the facts about 13:40:56</p> <p>21 what -- what really took place. Who did what, where, 13:41:00</p> <p>22 when and why, and what emerges, an analysis of those 13:41:04</p> <p>23 items, what does that tell us based on the evidence 13:41:08</p> <p>24 based on our experience? 13:41:10</p>	<p>1 drop 15 and maybe 10 of it's explained by the market 13:42:20</p> <p>2 and another 5 that's got to be explained by what we 13:42:22</p> <p>3 find. 13:42:22</p> <p>4 Q. Right. 13:42:24</p> <p>5 A. Inside the company. I think I would just 13:42:26</p> <p>6 cut it up that way. 13:42:26</p> <p>7 Q. You said two parts though. So one is the 13:42:30</p> <p>8 external --</p> <p>9 A. Internal. 13:42:30</p> <p>10 Q. -- and the other is the internal. 13:42:34</p> <p>11 A. Let's just say the stock dropped 15 13:42:38</p> <p>12 percent. 13:42:38</p> <p>13 Q. Right. 13:42:38</p> <p>14 A. And macroeconomist said: Look, all of 13:42:40</p> <p>15 those types of stock dropped 10. 13:42:42</p> <p>16 Q. Okay. 13:42:42</p> <p>17 A. Okay? So that -- And upon looking at that 13:42:44</p> <p>18 analysis, people agree the reasonable analysis, that 13:42:48</p> <p>19 accounts for 10. What accounted for the other 5? 13:42:50</p> <p>20 What inside the company on that particular day or 13:42:54</p> <p>21 that became known or was moving around, they could 13:42:56</p> <p>22 have -- that could -- doesn't necessarily have to 13:43:00</p> <p>23 be -- that could explain the 5 percent drop. 13:43:02</p> <p>24 Q. Okay. 13:43:02</p>
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<p>1 Q. Then on any particular day when there is a 13:41:24</p> <p>2 stock price movement, what factors do you employ to 13:41:30</p> <p>3 determine how on that particular day the stock price 13:41:34</p> <p>4 movement can be explained? 13:41:36</p> <p>5 A. Well, as I -- 13:41:38</p> <p>6 MR. BESSETTE: Again -- 13:41:38</p> <p>7 A. -- mentioned earlier --</p> <p>8 MR. BESSETTE: -- asked and answered. 13:41:40</p> <p>9 A. I'm sorry. 13:41:40</p> <p>10 MR. BESSETTE: Go ahead. 13:41:42</p> <p>11 A. As I mentioned earlier, in most cases I 13:41:46</p> <p>12 think you'd say you need to look at two -- two parts 13:41:48</p> <p>13 of that. We look at one part of it. There is the 13:41:52</p> <p>14 external part, as I've mentioned the economists and 13:41:56</p> <p>15 so forth, people who do that type of -- as you 13:41:58</p> <p>16 referred to it earlier -- statistical analysis or 13:42:02</p> <p>17 combination of financial and statistical analysis and 13:42:06</p> <p>18 look at what I'd call macroeconomic forces that are 13:42:10</p> <p>19 moving in the marketplace. 13:42:10</p> <p>20 BY MR. COLLINS:</p> <p>21 Q. Right.</p> <p>22 A. And what's happening. You know, if all 13:42:12</p> <p>23 these companies of whoever type that is drop 10 13:42:14</p> <p>24 percent and you drop 5, you know, that's -- or you 13:42:18</p>	<p>1 A. You could have one seller that goes and 13:43:04</p> <p>2 dumps on the marketplace. You know, again, your 13:43:06</p> <p>3 macro person may have caught that. The market may 13:43:10</p> <p>4 have perceived some turn in the company's operation. 13:43:12</p> <p>5 That could be another thing. 13:43:14</p> <p>6 Q. Okay. And then -- And then what process 13:43:22</p> <p>7 do you use in general to determine whether the 13:43:24</p> <p>8 company-specific movement on a particular day is a 13:43:32</p> <p>9 significant movement or instead if it's just noise or 13:43:36</p> <p>10 random movement that doesn't reflect company-specific 13:43:38</p> <p>11 factors? 13:43:40</p> <p>12 A. Well -- 13:43:40</p> <p>13 MR. BESSETTE: Objection. I think 13:43:42</p> <p>14 that's outside his area of expertise, which he's told 13:43:44</p> <p>15 you several times. 13:43:46</p> <p>16 A. Yeah. 13:43:46</p> <p>17 BY MR. COLLINS:</p> <p>18 Q. Well, go ahead. 13:43:48</p> <p>19 A. I was going to say that a lot of that 13:43:48</p> <p>20 type of information will be picked up by the 13:43:50</p> <p>21 macroeconomist. All we're going to be looking at 13:43:54</p> <p>22 is inside that company and the environment in which 13:43:56</p> <p>23 they operate, what was going on there. You know, are 13:43:58</p> <p>24 there any explanatory factors in there that tell us 13:44:02</p>

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<p>1 this negatively or positively was happening to the 13:44:04</p> <p>2 company? 13:44:04</p> <p>3 Q. Okay. And then you did testify to this 13:44:08</p> <p>4 before, forgive me, but in doing that work, looking 13:44:12</p> <p>5 inside the company, that you just described, do you 13:44:14</p> <p>6 normally, as a customary matter, prepare an event 13:44:18</p> <p>7 study? 13:44:18</p> <p>8 A. We would prepare an event study in the 13:44:20</p> <p>9 sense of a time line of what happened in terms of the 13:44:22</p> <p>10 areas that we were addressing. 13:44:24</p> <p>11 Q. I see. 13:44:24</p> <p>12 A. That -- That type of event, and then go 13:44:28</p> <p>13 look at those, the elements of that event study. 13:44:30</p> <p>14 Q. Okay. Very good. Thank you. 13:44:32</p> <p>15 Now, you opined in this case that the 13:44:36</p> <p>16 officers and directors exercised proper due diligence 13:44:38</p> <p>17 with regard to the omission of any disclosure about 13:44:46</p> <p>18 risk -- gray marketing; correct? 13:44:48</p> <p>19 A. Proper due diligence regarding to the 13:44:50</p> <p>20 process that they put in place -- 13:44:52</p> <p>21 Q. Okay. 13:44:52</p> <p>22 A. -- to arrive at those IPO statements. 13:44:56</p> <p>23 Q. Now, some of the individual defendants were 13:44:56</p> <p>24 management and some of them were outside directors; 13:45:00</p>	<p>1 directors rely on management? 13:46:06</p> <p>2 A. (Nods head affirmatively.) In the -- In 13:46:12</p> <p>3 the interaction between the two, they're going to be 13:46:18</p> <p>4 receiving information from management that management 13:46:20</p> <p>5 has that they wouldn't necessarily have access to. 13:46:22</p> <p>6 Q. Okay. 13:46:24</p> <p>7 A. So there is a -- There is a reli -- there 13:46:28</p> <p>8 is an interaction between them, between -- as to what 13:46:30</p> <p>9 each of them is doing, and so there is in a sense a 13:46:32</p> <p>10 reliance. 13:46:34</p> <p>11 Q. Reliance by the outside directors on 13:46:38</p> <p>12 management; correct? 13:46:38</p> <p>13 A. Yes. And I'm trying to think if that sword 13:46:42</p> <p>14 cuts both ways. It may to an extent, but 13:46:44</p> <p>15 certainly -- and we're talking about the outside 13:46:46</p> <p>16 directors are looking to management. 13:46:48</p> <p>17 And again they're -- Where they are 13:46:52</p> <p>18 at a point in time has been built up hopefully from 13:46:56</p> <p>19 their dealings with management over time -- 13:47:00</p> <p>20 Q. Now -- 13:47:00</p> <p>21 A. -- that you come to -- You know, you come 13:47:02</p> <p>22 to -- You don't like people until after you can 13:47:06</p> <p>23 trust them and they've earned your respect, that type 13:47:08</p> <p>24 of thing from the nature of the relationship. 13:47:10</p>
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<p>1 correct? 13:45:00</p> <p>2 A. Correct. 13:45:00</p> <p>3 Q. Are the standards the same? 13:45:02</p> <p>4 A. No, I think that's where you're properly 13:45:06</p> <p>5 dividing governance from management. 13:45:08</p> <p>6 Q. Okay. 13:45:08</p> <p>7 A. And it can take many, many different 13:45:10</p> <p>8 forms. I mean, one of the basic parts -- and you can 13:45:14</p> <p>9 find this in the -- what we would all call one on one 13:45:18</p> <p>10 management text is the division of labor specific to 13:45:22</p> <p>11 a firm at a point in time, literally. 13:45:24</p> <p>12 So you have to go in and look -- Who 13:45:28</p> <p>13 comprised the board? Who comprised the management? 13:45:32</p> <p>14 The skill sets they had, how they tended to operate, 13:45:34</p> <p>15 how they tended to interact, all that being directed 13:45:38</p> <p>16 toward whatever the issue is that's being addressed, 13:45:42</p> <p>17 the analytical issue that's on the table. 13:45:44</p> <p>18 Q. One of the things you discussed in your 13:45:46</p> <p>19 report is that the individual defendants -- it's 13:45:50</p> <p>20 appropriate for them in the due diligence process 13:45:52</p> <p>21 sometimes to rely on experts -- auditors, lawyers, 13:45:56</p> <p>22 others; correct? 13:45:58</p> <p>23 A. Yes. 13:45:58</p> <p>24 Q. Does it sometimes happen that the outside 13:46:04</p>	<p>1 Q. Okay. Now, management doesn't rely on the 13:47:12</p> <p>2 outside directors; does it? 13:47:14</p> <p>3 A. As -- I was saying about the sword cutting 13:47:16</p> <p>4 both ways. There might be in some cases be a 13:47:20</p> <p>5 situation where a director was so deep in a certain 13:47:22</p> <p>6 skill set, whatever that was, that the firm might 13:47:26</p> <p>7 call on that director. It's the microcosm of this. 13:47:30</p> <p>8 I think Conner had the relationship with Lehman 13:47:34</p> <p>9 Brothers and suggested that Lehman be the lead or one 13:47:36</p> <p>10 of the lead underwriters on the offering. He had 13:47:40</p> <p>11 done a couple of other -- as I understand it a couple 13:47:42</p> <p>12 of another IPO's; and, you know, so you're utilizing 13:47:46</p> <p>13 a director's talents there. I would -- I would 13:47:48</p> <p>14 consider that a pretty limited use. 13:47:50</p> <p>15 Q. Now, I notice Mr. Mand was one of the 13:47:56</p> <p>16 people who worked with you on this assignment; 13:48:00</p> <p>17 correct? 13:48:00</p> <p>18 A. Correct. 13:48:00</p> <p>19 Q. How recently was he with Nortel? 13:48:02</p> <p>20 A. He retired in '94, when it was still called 13:48:06</p> <p>21 Northern Telecom. He has missed all the interesting 13:48:10</p> <p>22 things of late. 13:48:10</p> <p>23 Q. Well, that was one of my questions. Was -- 13:48:12</p> <p>24 Was he sued -- 13:48:14</p>

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<p>1 A. Investors who went into Adams, I would 13:53:10 2 suspect -- I haven't tried to do an analysis -- 13:53:14 3 Q. Okay. 13:53:14 4 A. -- had -- were caught up with this break- 13:53:16 5 through technology with these raging sales of these 13:53:22 6 Tight Lies clubs. So they had -- I would suspect 13:53:24 7 that's what drew them to the offering, but I don't 13:53:26 8 know. 9 Q. If they were drawn to the offering because 13:53:30 10 of the break-through technology that you have 13:53:32 11 described, that doesn't mean they necessarily had any 13:53:34 12 information about industry-wide gray marketing 13:53:38 13 problems; does it? 13:53:38 14 A. It would depend upon if you went, you know, 13:53:42 15 person by person; because usually these people are 13:53:44 16 visiting the different places, they're aware of 13:53:46 17 equipment and things like that. And I would -- I 13:53:48 18 would think that they're -- a fair number of them 13:53:52 19 would be aware of this struggle that you can only buy 13:53:54 20 Wilson Staff Irons at the pro shops, that you can 13:53:58 21 only buy MacGregor Tournament Woods all the way 13:54:02 22 back -- You know, that if you want a certain model, 13:54:02 23 you have to go to a certain place to get it; and yet 13:54:06 24 sometimes it turns up where you didn't think it 13:54:08</p>	<p>1 how word spreads through the golf industry, just from 13:54:58 2 your own experience as a golfer. 13:55:00 3 A. I think that the PGA pros and those things, 13:55:04 4 there are closely knit groups in there. I think that 13:55:08 5 that's true. 13:55:08 6 Q. And do you know or did you do any analysis 13:55:12 7 to determine whether people who invest in golf 13:55:14 8 company stocks tend to be golfers? 13:55:18 9 A. I think that what would -- the people that 13:55:22 10 would be drawn to this, this is just thinking on my 13:55:24 11 part, would be people who had a sense of what was 13:55:26 12 happening, had an understanding, were golfers in some 13:55:30 13 sort, either they played golf and enjoyed it, or they 13:55:32 14 followed the golf industry and invested in it. 13:55:34 15 That's what -- That would just -- But that's, 13:55:38 16 again, that makes sense. 13:55:38 17 Q. That's common sense. That's common sense; 13:55:42 18 is that right? 13:55:42 19 A. I think that's fair to say. 13:55:44 20 Q. Now, when you -- In this same paragraph 13:55:58 21 you go on to say, "Moreover, the SEC did not require 13:56:04 22 any discussion of gray marketing in the Registration 13:56:06 23 Statement or Prospectus." What is the source of your 13:56:10 24 information on that, please? 13:56:12</p>
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<p>1 would. 2 So I would think there is a reasonable 13:54:10 3 chance that they were familiar with these 13:54:12 4 distribution issues that arose. 13:54:14 5 Q. And by "they," you mean a fair number of 13:54:18 6 the investors and analysts that would be -- 13:54:20 7 A. Yeah. And, again, in no way have we done 13:54:22 8 any sort of assessment one by one any of these 13:54:24 9 investors involved. 13:54:28 10 Q. Sure. Now, you are not testifying in this 13:54:30 11 case as a golf industry expert I gather. 13:54:34 12 A. No. 13:54:34 13 Q. But you have been a golfer for 60 years, 13:54:38 14 you told me. 13:54:40 15 A. Only 52. 13:54:42 16 MR. BESSETTE: 50. 13:54:42 17 A. I don't want to overstate the situation 13:54:44 18 here. 19 BY MR. COLLINS: 20 Q. I was going to say probably only 20 or 25, 13:54:46 21 from the looks of you. 13:54:48 22 A. Well, I like that number, but I've got to 13:54:50 23 be truthful to the court reporter. 13:54:52 24 Q. And I gather you do know something about 13:54:54</p>	<p>1 A. Well, we looked at some documents about the 13:56:18 2 inquiry that was made regarding the ability to 13:56:20 3 discovery, the litigation, the SEC; and our 13:56:26 4 experience with the SEC is that they are very 13:56:28 5 thorough. They attempt to be very careful. They 13:56:30 6 work to watch out for the public. 13:56:32 7 Are they perfect? You know, no. None 13:56:36 8 of us are. But they're pretty diligent in that my 13:56:40 9 only -- or I think our group's -- our team's 13:56:44 10 experience is that if they have an issue, they're 13:56:46 11 going to let you know about it; and you're not going 13:56:48 12 to move ahead until you get that issue. You're going 13:56:52 13 to have to make them happy. 13:56:54 14 Just fighting over the comment letters 13:56:54 15 just on 10-Qs, people could cite -- Jim Ott or Marty 13:57:00 16 Mand could cite more than I could about the issues on 13:57:04 17 the forms they raise. 13:57:06 18 Q. You didn't talk to the SEC in connection 13:57:06 19 with Adams Golf; did you? 13:57:08 20 A. No. 13:57:08 21 Q. Do you know what information was provided 13:57:10 22 to the SEC with regard to the Costco or gray 13:57:16 23 marketing issue? 13:57:16 24 A. I -- In following the letters that went 13:57:20</p>

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<p>1 between Arter & Hadden, if I remember correctly, with 13:57:28 2 the SEC discussing various issues, the issue that 13:57:30 3 came us was raised -- let's just -- approximately in 13:57:34 4 June some time, maybe toward the end of June. In a 13:57:38 5 comment letter that Arter & Hadden wrote, excuse me, 13:57:44 6 if I remember -- remember correctly, sometime right 13:57:46 7 about -- getting close to the statement, the 13:57:50 8 registration going effective. It was not addressed 13:57:54 9 in there. There was no -- As I recall, there was no 13:57:58 10 explicit thing that said: By the way, you asked 13:58:02 11 about the bill of discovery and this is what we told 13:58:04 12 you about. 13:58:06 13 All I can indicate -- All that I can 13:58:08 14 draw from that is that this was resolved. That's 13:58:12 15 what I can draw from that. 13:58:14 16 Q. Okay. And you're not offering an opinion 13:58:16 17 in this case with regard to what it means or what it 13:58:20 18 doesn't mean when the SEC allows a Registration 13:58:24 19 Statement to go effective; are you? 13:58:26 20 A. I'm not offering an opinion upon that, just 13:58:28 21 an observation that they didn't require it to be 13:58:32 22 disclosed after in fact they observed it directly or 13:58:36 23 indirectly. 13:58:38 24 Q. Okay. And you don't know what it was, if 13:58:40</p>	<p>1 however, there could have been material 14:00:08 2 misrepresentations or omissions in the Registration 14:00:10 3 Statement? 14:00:12 4 A. On -- We're talking about things in 14:00:14 5 general, of course. 14:00:16 6 Q. Sure. 14:00:16 7 A. And that people could follow the correct 14:00:18 8 whatever and a bad result at the end of the day 14:00:22 9 because something slipped through the cracks could 14:00:24 10 refer to it in that kind of slang. Somehow, even 14:00:28 11 though the process was as good as you could hope for 14:00:32 12 it to be, you know, there is no perfect processes. 14:00:34 13 But something got through there and you go in there 14:00:36 14 and you look at it, make a decision: Did it get 14:00:40 15 through there because the process was flawed or did 14:00:42 16 it work its way through for any other reasons? 14:00:46 17 Q. But when you discuss in this report the 14:00:48 18 directors' and officers' exercise of business 14:00:52 19 judgment, I gather now you're talking about business 14:00:54 20 judgment both in addressing the gray market problem 14:00:58 21 and in determining not to disclose it in the 14:01:02 22 Registration Statement; is that accurate? 14:01:06 23 A. We were -- 14:01:06 24 MR. BESSETTE: Objection. That 14:01:08</p>
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<p>1 anything, that the SEC was told with regard to Costco 13:58:44 2 gray marketing; do you? 13:58:46 3 A. I don't think as I sit here I can recall 13:58:48 4 anything that I know of, no. 13:58:50 5 Q. Okay. And SEC as far as you know didn't 13:58:54 6 approve or endorse the Registration Statement in 13:58:58 7 that; do they? 13:59:00 8 A. I don't think they approve anything. They 13:59:02 9 don't reject. They don't let you go forward. We're 13:59:08 10 going through that process right now in a mutual fund 13:59:18 11 related deal. 13:59:18 12 Q. Okay. Now, page 10, paragraph 4, the first 13:59:28 13 sentence, "The officers and directors are expected to 13:59:32 14 exercise reasonable business judgment in addressing 13:59:34 15 their responsibilities." What does the exercise of 13:59:40 16 reasonable business judgment have to do with this 13:59:42 17 case? 13:59:44 18 A. Well, in how this process flowed, in how 13:59:48 19 the governance and management structures were put 13:59:52 20 together and how this process flowed of moving toward 13:59:54 21 the IPO. 13:59:56 22 Q. But you acknowledge, don't you, that -- 13:59:58 23 that the officers and directors could have in fact 14:00:04 24 exercised reasonable business judgment and still, 14:00:06</p>	<p>1 misstates -- misstates the record. 14:01:10 2 BY MR. COLLINS: 3 Q. Please. 14:01:12 4 A. What we're talking about is reasonable 14:01:14 5 business judgment in terms of the process that was 14:01:16 6 performed. Now, you can cross that over into the 14:01:20 7 other areas because I've concluded that it, in my 14:01:24 8 opinion, I believe that they were accurate in the way 14:01:28 9 they treated the gray market issue. But where I was 14:01:30 10 coming from was their conduct in terms of the -- the 14:01:34 11 governance and management of the company in 14:01:36 12 connection with this IPO. 14:01:38 13 Q. And I know you've referred to this before, 14:01:40 14 sir, so I just want to make sure I've got it down. 14:01:44 15 When you refer to "governance and management of the 14:01:46 16 company" in this context, you're referring to both 14:01:50 17 how to address the gray market problem and the due 14:01:56 18 diligence with regard to the IPO? Am I -- Do I 14:01:58 19 understand you correctly? 14:02:00 20 A. I think the -- It started from the 14:02:04 21 standpoint, as I've said before, about the due 14:02:08 22 diligence with regard to the process itself. From 14:02:10 23 that, I examine the gray market situation to see if 14:02:16 24 the knowledge that I obtain there -- what that 14:02:22</p>

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1 knowledge had to say about the appropriateness of its 14:02:24
 2 process; and in doing that, I reached the conclusion 14:02:28
 3 that it was appropriate to omit the gray market. 14:02:34
 4 MR. COLLINS: Could you read that 14:02:36
 5 back, please. 14:02:36
 6 (The requested testimony was read back
 7 by the reporter, as follows:
 8 ANSWER: "I think the -- It started
 9 from the standpoint, as I've said before, about the
 10 due diligence with regard to the process itself.
 11 From that, I examine the gray market situation to see
 12 if the knowledge that I obtain there -- what that
 13 knowledge had to say about the appropriateness of its
 14 process; and in doing that, I reached the conclusion
 15 that it was appropriate to omit the gray market.") 14:03:08
 16 BY MR. COLLINS:
 17 Q. Okay. In your determining that it was 14:03:10
 18 appropriate to omit the gray market problem as a risk 14:03:16
 19 on the Registration Statement, you're drawing upon no 14:03:26
 20 special expertise with regard to SEC disclosure 14:03:30
 21 requirements; is that accurate? 14:03:32
 22 A. I'm trying to draw on everything that I saw 14:03:38
 23 in connection with this thing. 14:03:38
 24 Q. Okay. 14:03:40

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1 A. And that would not be specialized SEC 14:03:44
 2 expertise. That would be one of the things I 14:03:46
 3 observed. They knew about it, they didn't stop it. 14:03:50
 4 Different -- Just like I talked about the 14:03:50
 5 underwriter memos. 14:03:52
 6 Q. But you're not here as an expert on gray 14:03:56
 7 market. You're not here as an expert on marketing. 14:03:58
 8 You're not at least here in this case as an expert on 14:04:00
 9 loss causation. So in none of those areas did you 14:04:04
 10 draw upon in coming to the conclusion that it was 14:04:06
 11 appropriate to omit the disclosure; that's correct? 14:04:08
 12 A. No. I -- Yeah, I was not named as an 14:04:12
 13 expert in those different areas; but in terms of the 14:04:14
 14 area in which I focused, again, we would want to look 14:04:18
 15 at certain events and see if those events told us 14:04:22
 16 anything about the process. 14:04:22
 17 Q. I see. 14:04:24
 18 A. That's how I'd relate it. 14:04:26
 19 Q. And the area on which you focused again was 14:04:28
 20 process and governance? 14:04:30
 21 A. Right. 14:04:30
 22 Q. Okay. 14:04:32
 23 A. As it's set out there in the report. 14:04:36
 24 Q. I see. Okay. Now, in the fourth paragraph 14:04:56

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1 on page 11, under "Business Investment Decisions 14:05:00
 2 Involve Risks," why do you consider it in your 14:05:08
 3 opinion to be significant to discuss your assertion 14:05:14
 4 that the development of new or improved products 14:05:20
 5 involves risk? Why is that relevant to your 14:05:22
 6 opinion? 14:05:22
 7 A. Because, as I say later on in that 14:05:26
 8 paragraph, "New product development is the area into 14:05:30
 9 which Adams Golf entered with the development of 14:05:32
 10 'Tight Lies' club." Does that answer your 14:05:36
 11 question? I'm not sure I got the question right. 14:05:36
 12 Q. Well, I just may be a little bit confused. 14:05:40
 13 Was there -- How was -- Was there something about 14:05:46
 14 the Tight Lies being a new product that affected the 14:05:56
 15 gray market risk? 14:05:56
 16 A. Well, that's pretty -- pretty broad in the 14:06:04
 17 sense that -- I think one reason it became a target 14:06:08
 18 in the gray market was because of the immense 14:06:10
 19 popularity that it had. It made it desirable for 14:06:14
 20 those who were not authorized to try to get their 14:06:16
 21 hands on to sell it. 14:06:18
 22 Q. Uh-huh. 14:06:18
 23 A. So that -- that would be one of the things 14:06:20
 24 there. 14:06:22

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1 Q. Okay. 14:06:22
 2 A. But you've got to -- You know, as I said 14:06:24
 3 before a couple of times, technology is -- technology 14:06:28
 4 offering here the break-through technology, which is 14:06:30
 5 set out there in the -- in the Prospectus. 14:06:32
 6 Q. Okay. I guess one of the things that I am 14:06:36
 7 asking you here is there is some parts of your report 14:06:40
 8 that I don't understand the significance to your 14:06:42
 9 opinion about the process and the governance, so 14:06:46
 10 that's -- that's motivating some of my questions. 14:06:52
 11 A. That's a good question. It's one of the 14:06:54
 12 factors that Adams Golf was facing that we would 14:07:00
 13 consider in evaluating the process. This was one of 14:07:04
 14 those items that this was a company that potentially 14:07:06
 15 offered break-through technology. It was a company 14:07:10
 16 whose sales were soaring. Whatever -- You're 14:07:12
 17 collecting those facts and framing up the situation. 14:07:14
 18 Q. I see. 14:07:14
 19 A. That's why -- 14:07:16
 20 Q. So it's background, primarily. 14:07:18
 21 A. That's a fair word. 14:07:20
 22 Q. Do you recall whether there was a risk 14:07:22
 23 disclosure with regard to product development or the 14:07:26
 24 risks of product development in the Registration 14:07:30

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<p>1 in perceiving that it was a material problem in 14:44:04 2 October of '98? 14:44:06 3 A. I -- I think that was his perception. He 14:44:08 4 was certainly trying to be right. It was his 14:44:12 5 perception that it was a serious problem and he got 14:44:14 6 it out to the world right away. I think that was his 14:44:16 7 style. I personally like that style. 14:44:18 8 Q. Well then, was there -- Did there come a 14:44:22 9 point in time that Barney Adams, in your opinion, 14:44:26 10 concluded that Barney Adams had been wrong in October 14:44:30 11 and in fact gray marketing was not a problem and 14:44:32 12 never had been? 14:44:34 13 A. I think there was something in his 14:44:36 14 deposition -- I'd have to go back and look at it -- 14:44:38 15 where he makes a statement, and I'd have to really 14:44:40 16 have to look at it, about the problem in October was 14:44:44 17 no worse than the problem back pre-IPO. And if I 14:44:48 18 look at the 8,000 number and the 6,000 number, I say 14:44:52 19 yeah, that's right. 14:44:54 20 In neither case were they a material 14:44:56 21 situation, you know, in terms of the significance of 14:44:58 22 these clubs and the distribution and the fact you 14:45:02 23 could bring the problem under control as he was doing 14:45:04 24 then. They could have done it earlier, when they 14:45:08</p>	<p>1 A. Well, there are different ways. And I 14:46:24 2 think they were hoping early-on, as you would expect, 14:46:26 3 that they don't have to do something that interrupts 14:46:28 4 their whole assembly process. 14:46:30 5 Here's this little company. It's 14:46:30 6 growing, as we talked about earlier, moving from 14:46:34 7 space to space, trying to handle this tremendous flow 14:46:36 8 of products. Now, we throw in on top of that another 14:46:40 9 element that's going to change the assembly process, 14:46:42 10 in computerizing these clubs. 14:46:44 11 Q. Right. 14:46:44 12 A. And so they -- Is there a way -- You 14:46:48 13 know, we've got this problem. And, again, in terms 14:46:50 14 of scale, from what I saw, the scale was quite 14:46:52 15 small. You had only nine complaints come in, nine 14:46:58 16 different entities that were complaining pre-IPO, the 14:47:02 17 record that I've seen. So the scale's pretty -- 14:47:04 18 pretty small and you're trying to figure other ways 14:47:06 19 to, so to speak, resolve it. And one of them was the 14:47:10 20 price-matching program. Let's see if we can cut the 14:47:14 21 supply off. Let's see if we can figure out who's 14:47:16 22 selling it to Costco, and we can do it some other way 14:47:18 23 than really disrupting our entire assembly process. 14:47:22 24 Q. And because disrupting the assembly process 14:47:26</p>
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<p>1 were under tremendous pressure to get these clubs 14:45:10 2 out. Trying to serialize is not an easy 14:45:16 3 manufacturing problem. As he said and was said along 14:45:18 4 the way, they went to it. 14:45:20 5 Q. Well, you just said that -- get "the 14:45:24 6 problem under control." You believed that in July of 14:45:28 7 '98, October of '98, Adams Golf had the ability to 14:45:32 8 get the gray marketing problem under control? 14:45:34 9 A. Well, remember, I said always is always 14:45:36 10 going to be a gray market problem of one sort of 14:45:40 11 another. But in the sense of this Costco situation, 14:45:46 12 if you serialize clubs, you have two things going for 14:45:48 13 you. One they show up there in Costco and you know 14:45:52 14 where they can come from. Number two, if they file 14:45:54 15 the numbers off, then you're going to sue Costco for 14:45:58 16 selling counterfeit clubs. And so you had a way to 14:46:00 17 cut into Costco's market position there and to 14:46:04 18 threaten their supply lines. There may have been 14:46:10 19 something else to that question. 14:46:12 20 Q. No, no. That's fine. 14:46:12 21 A. Yeah. 14:46:12 22 Q. So, therefore, the Costco problem was 14:46:14 23 something that could always be addressed simply by 14:46:18 24 serialization; am I understanding you correctly? 14:46:22</p>	<p>1 could have -- could be detrimental to the financial 14:47:28 2 results of -- 14:47:30 3 A. On at least on, you know, on a temporary 14:47:32 4 basis it would be; and if you have got -- If you 14:47:34 5 have product going out the door, you're trying to 14:47:36 6 create a platform, as they were. You're a 14:47:38 7 one-product club. You're trying to build that 14:47:42 8 platform of consumer usage and consumer relations. 14:47:44 9 So when you go forward from there, you don't want to 14:47:48 10 slow down that production when there is a demand for 14:47:50 11 your product and let the competition get a jump on 14:47:52 12 you or things like that. 14:47:54 13 Q. And as long as serialization was 14:47:58 14 implemented, you faced the risk of that sort of 14:48:04 15 disruption that could have a detrimental financial 14:48:08 16 impact, I gather. 14:48:10 17 MR. BESSETTE: I'm sorry. Can I get 14:48:12 18 that back? 14:48:12 19 (The requested testimony was read back 20 by the reporter, as follows: 21 QUESTION: "And as long as 22 serialization was implemented, you faced the risk of 23 that sort of disruption that could have a detrimental 24 financial impact, I gather.")</p>

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<p>1 Q. Well, as part of Exhibit 186, there is a 15:06:32 2 September 29th letter, 1998, from an authorized 15:06:38 3 retailer who said that, in that letter, that before 15:06:42 4 the IPO there had been Costco -- that the Adams clubs 15:06:50 5 had been available at Costco. Do you recall that 15:06:54 6 vaguely? 15:06:54 7 A. This was -- Okay. Some late September 15:06:58 8 memo. 15:06:58 9 Q. No, no. 15:06:58 10 A. From an authorized -- 15:07:00 11 Q. A September letter -- 15:07:02 12 A. Yeah. 15:07:02 13 Q. -- from an authorized retailer in New 15:07:06 14 Jersey -- 15 A. To. 15:07:06 16 Q. -- to Adams Golf saying that in June -- 15:07:08 17 A. Okay. 15:07:08 18 Q. -- there had been Costco's -- the Costco 15:07:12 19 warehouses having Adams clubs. 15:07:18 20 A. Okay. So to some -- 15:07:18 21 Q. After the event, after the IPO, this 15:07:22 22 retailer was complaining about that. 15:07:24 23 A. Okay. 15:07:24 24 Q. So all I'm saying is you don't preclude the 15:07:26</p>	<p>1 & Hadden," having "extensive contact with the SEC to 15:08:38 2 ensure complete compliance." 15:08:40 3 Well, you don't know anything more 15:08:42 4 about that what you call "extensive contact" beyond 15:08:46 5 what you've already testified to today; do you? 15:08:48 6 A. Right. There are various letters -- I 15:08:50 7 mean, what -- what you do know is that you're going 15:08:54 8 to be working closely with the SEC because you have 15:08:58 9 to on an IPO, and your communications and so forth; 15:09:02 10 so you have every re -- And the attorneys are the 15:09:06 11 ones that you would normally expect to be carrying 15:09:08 12 that ball. 15:09:08 13 Q. Oh, sure. 15:09:10 14 A. So, you know -- 15:09:10 15 Q. But the extent of the contact with the SEC, 15:09:14 16 you were not really somebody who's privy to it. 15:09:16 17 A. There were, what, three or four different 15:09:18 18 S-1s that were issued before the final came out; so 15:09:22 19 maybe the adjective "extensive" is more than it needs 15:09:26 20 to be; but there was certainly dialogue going on and 15:09:28 21 they were refiling the S-1. 15:09:30 22 Q. And that sentence goes on "Arter & Hadden, 15:09:36 23 had significant contact with the SEC to ensure 15:09:38 24 complete compliance with the federal securities law 15:09:40</p>
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<p>1 possibility that there were other authorized 15:07:30 2 retailers besides the eight or nine that you've 15:07:32 3 described -- 15:07:32 4 A. Who -- 15:07:32 5 Q. -- who were concerned about -- about gray 15:07:36 6 marketing but that you don't include them in your 15:07:38 7 eight or nine. 15:07:40 8 A. That's -- That's a good example of 15:07:42 9 something that popped up later on that spoke to an 15:07:46 10 earlier period. 15:07:46 11 Q. Okay. And in your experience, where 15:07:52 12 authorized retailers have concerns, they don't always 15:07:58 13 complain. They sometimes stop doing business. Is 15:08:02 14 that accurate? 15:08:02 15 A. Let me just put it this way. It's 15:08:06 16 speculation on my part. I haven't made a study of 15:08:10 17 that in any sense, but it wouldn't surprise me if you 15:08:12 18 had a large number of retailers and somebody became 15:08:16 19 angry. They could leave for a lot of reasons. 15:08:18 20 Q. And not complain before they went out the 15:08:20 21 door. 15:08:20 22 A. (Nods head affirmatively.) That's true. 15:08:22 23 Q. Now, on page 15, in the second paragraph, 15:08:28 24 there is a reference to "The Company's lawyers, Arter 15:08:38</p>	<p>1 and full disclosures of any risks..." 15:09:42 2 Well, whatever contact the company's 15:09:46 3 lawyers had with the SEC didn't ensure any compliance 15:09:50 4 with the federal securities law; did it? You can't 15:09:54 5 ensure compliance by contacting the SEC, however 15:09:56 6 extensively. 15:09:58 7 A. Well, that may be a -- That may be a legal 15:09:58 8 question. I may have -- I may have overwritten that 15:10:02 9 thing from an angle that -- What I was trying to say 15:10:04 10 is that the SEC, they're going to move slowly, as I 15:10:10 11 said earlier, before they give you clearance to go 15:10:14 12 forward; and that certainly gives you some comfort, 15:10:16 13 that you have complied with those regulations with -- 15:10:18 14 with which you have to comply. That's what -- 15:10:22 15 That's where I was coming from. 15:10:24 16 Q. And you say that as somebody who is not an 15:10:26 17 expert with regard to SEC procedures or approval 15:10:34 18 processes; correct? 15:10:36 19 A. Who is familiar with them, but I'm not 15:10:40 20 putting myself forward as an expert, that's correct, 15:10:42 21 yes. 15:10:42 22 Q. Now, in the next paragraph, do you -- You 15:10:48 23 know you have Exhibit 7 to -- You're familiar with 15:10:52 24 your -- 15:10:52</p>

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1 and what difference does it make to this case? 15:30:42
 2 A. It speaks to the dedication that they had 15:30:46
 3 to their authorized retailers, that they -- that they 15:30:48
 4 didn't linger back in the pre-IPO periods when this 15:30:52
 5 first came up, even though Canada was a very small 15:30:54
 6 part of their overall sales. It indicated to me they 15:31:00
 7 took the well-being of their distributors and their 15:31:04
 8 retailers very seriously. 15:31:06
 9 Q. Well, what does that have to do with this 15:31:08
 10 case? 15:31:10
 11 A. Well, because it speaks to -- It flows 15:31:12
 12 right into the fact that they had -- they dealt with 15:31:16
 13 the problem. They went after it because it was 15:31:18
 14 important to them, but it was not material as far as 15:31:22
 15 being put in the company's statement -- in the IPO 15:31:28
 16 documents. 15:31:28
 17 Q. I -- I guess we are getting metaphysical 15:31:32
 18 these days, or I am, or Paul and I are; but you say 15:31:36
 19 it's important but not material. Surely you see that 15:31:38
 20 as a fairly fine distinction, sir. 15:31:40
 21 A. No. No. 15:31:42
 22 MR. BESSETTE: Yeah, explain. 15:31:42
 23 A. And the reason -- Yeah. The reason why is 15:31:48
 24 because this goes back to the employee, the customer 15:31:52

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1 what we're going to do as a company to take care of 15:31:54
 2 things. This company, as I see it, had a deep 15:31:58
 3 concern for their customers. They believed that that 15:32:00
 4 was an important element of their success. That was 15:32:02
 5 important to them. And so they had a -- one 15:32:06
 6 authorized distributor or retailer who had a 15:32:08
 7 problem. They were going to address that problem. 15:32:10
 8 And when they heard it was something 15:32:12
 9 that could affect their standing with their retailers 15:32:20
 10 and their distributors, just use retailer as a 15:32:22
 11 general, you know, they went after it. They went 15:32:28
 12 after it. And that was -- They were dedicated to 15:32:30
 13 doing that.
 14 That's why Gonsalves says this is a 15:32:34
 15 serious problem, whatever. It could be a serious 15:32:36
 16 problem to him if one distributor complained, one 15:32:38
 17 retailer complained. That was within -- That was 15:32:42
 18 within their psyche or modest operandi. And it was 15:32:46
 19 completely legitimate. It was simply saying: Treat 15:32:48
 20 your customers right. Develop those relationships. 15:32:50
 21 They'll take care of you if you take care of them. 15:32:52
 22 All that type of stuff, whether it's relevant or not 15:32:56
 23 relevant of the situation if the company thinks about 15:33:00
 24 it. And that's what was going on here, no matter 15:33:00

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1 how small that problem is. 15:33:02
 2 Barney Adams said somewhere, in one of 15:33:06
 3 the articles that he was quoted as saying about this 15:33:08
 4 time, about -- He didn't want his customers unhappy. 15:33:12
 5 That it was a pain in the back said. I'm not sure 15:33:14
 6 those are the words he used -- a pain in the back 15:33:16
 7 side to deal with these kinds of things. He wanted 15:33:20
 8 his -- He wanted his retailers and his distributors 15:33:22
 9 to be happy. 15:33:24
 10 BY MR. COLLINS:
 11 Q. And his desire for the retailers to be 15:33:26
 12 happy was partly tied to the business strategy of 15:33:30
 13 Adams Golf; correct? 15:33:32
 14 A. I believe that it was. Yes. 15:33:34
 15 Q. Because if your -- if your customers are 15:33:38
 16 high end or reasonably high end golf course shops or 15:33:46
 17 off course shops, as opposed to discount houses, 15:33:56
 18 whether they are well treated, whether they have high 15:33:58
 19 margins, matters more than would be the case if you 15:34:04
 20 sold your golf clubs at gas stations and drug stores; 15:34:08
 21 right? 15:34:08
 22 A. You know, again, each situation has to be 15:34:10
 23 valued -- evaluated separately. I mentioned about 15:34:14
 24 Taylor Made along about this time made some sort of 15:34:18

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1 deal with Costco, where they were going to sell older 15:34:20
 2 clubs, and I think even some of their new clubs they 15:34:24
 3 got if they sold enough of the old clubs. I don't 15:34:26
 4 know what the deal was. But each party is trying to 15:34:28
 5 optimize as you said earlier for their shareholders, 15:34:32
 6 take it and take into consideration what they think 15:34:34
 7 those factors are, they have to address. 15:34:36
 8 Q. Okay. And that's, what, Barney Adams, 15:34:40
 9 Gonsalves -- 15:34:42
 10 A. And Beebe. 15:34:44
 11 Q. -- and Beebe were doing when they 15:34:46
 12 considered this issue important, although you say not 15:34:48
 13 material. 15:34:48
 14 A. Yeah. Financially, financially it was not 15:34:52
 15 that significant. I show that in the report, even in 15:34:56
 16 something of some magnitude in Canada happened, it 15:35:00
 17 wouldn't have much of a financial effect on Adams. 15:35:04
 18 But -- and that's the effect now, in 15:35:06
 19 this quarter. They obviously -- "they" being the 15:35:10
 20 management team -- were looking it appears to be much 15:35:14
 21 further than that. They wanted to keep these 15:35:16
 22 relationships because they valued them. 15:35:18
 23 Q. And they valued them not out of the 15:35:20
 24 goodness of their hearts, but because that was part 15:35:24

60 (Pages 234 to 237)

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